



Sunnyvale

# FY 2020/21 Second Quarter Budget Update

January 12, 2021

RTC 21-0052

Tim Kirby, Director of Finance

# Overview of Report

---

- FY 2020/21 data through November 2020
  - Revenue and expenditure trends still developing
  - More known each month of the fiscal year for additional context
  - Financial analysis and projection refinement with each quarterly update
  - Revised revenue projections for current fiscal year updated at end of third quarter for inclusion in FY 2021/22 financial plans



# General Fund



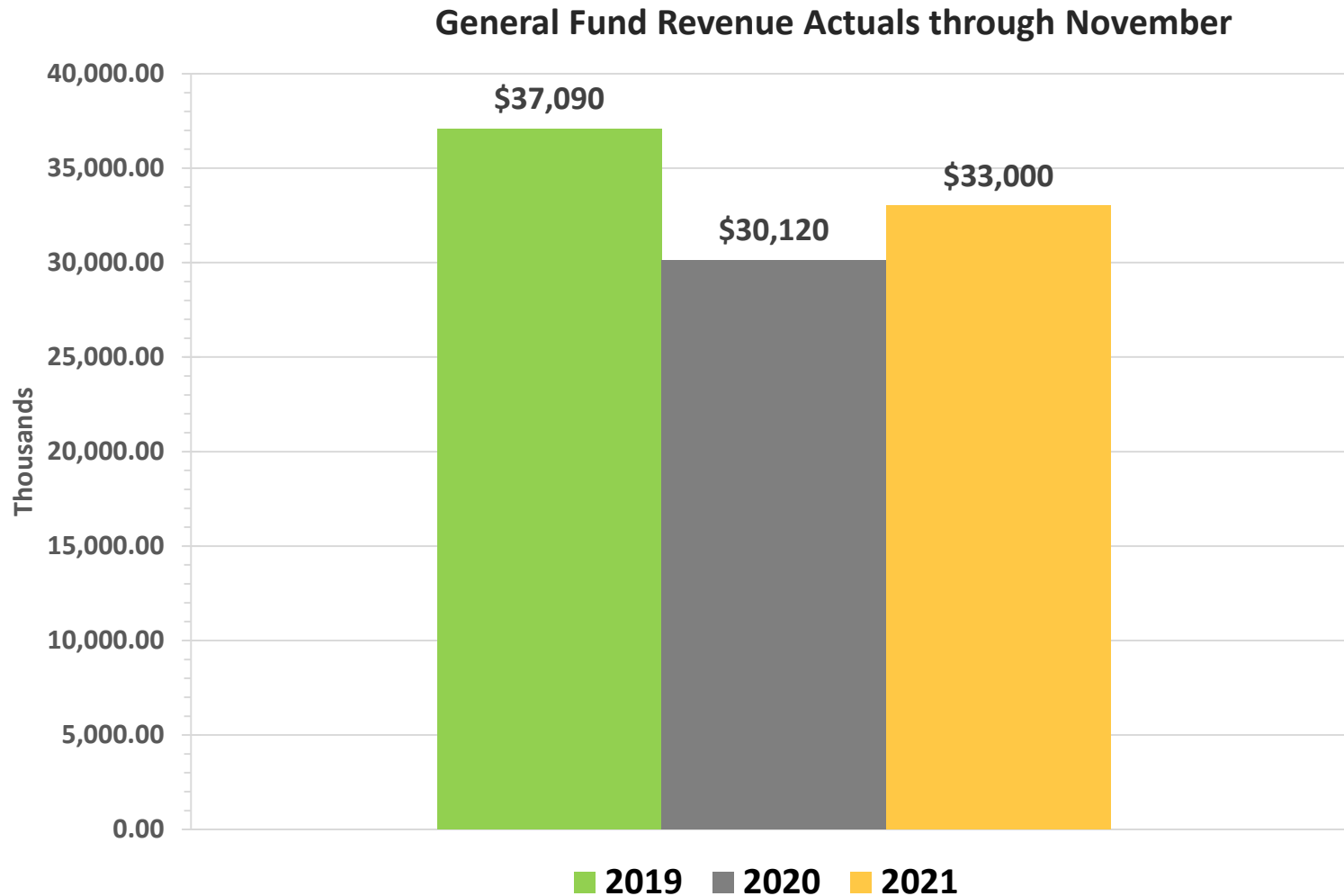
Sunnyvale

# General Fund *Revenues*

# General Fund Revenue – FY 2020/21

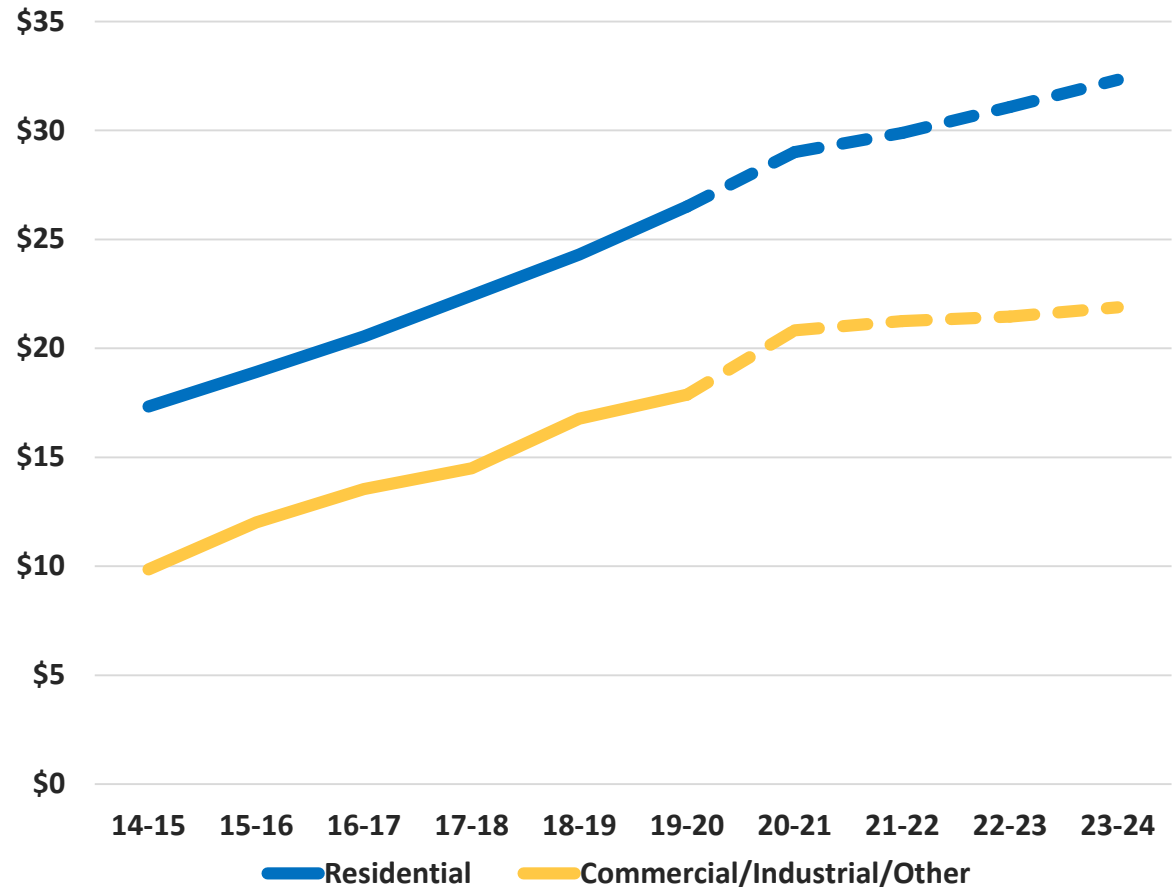
<i>General Fund Revenue</i>	FY 2020/21		
	<i>41.67% of Fiscal Year</i>		
	<b>Budget</b>	<b>Actuals</b>	<b>% to Date</b>
<b>Property Tax</b>	\$ 90,750,445	\$ 15,610,067	17.2%
<b>Sales Tax</b>	\$ 27,163,221	\$ 6,201,864	22.8%
<b>Transient Occupancy Tax</b>	\$ 10,617,327	\$ 1,353,887	12.8%
<b>UUT &amp; Franchise Fees</b>	\$ 15,760,876	\$ 3,710,907	23.5%
<b>Construction Tax</b>	\$ 3,686,757	\$ 927,370	25.2%
<b>Business License Tax</b>	\$ 1,914,476	\$ 135,968	7.1%
<b>Real Property Transfer Tax</b>	\$ 1,790,431	\$ 567,736	31.7%
<b>Permits &amp; Licenses</b>	\$ 1,634,631	\$ 1,005,043	61.5%
<b>Service Fees</b>	\$ 3,626,133	\$ 686,824	18.9%
<b>Rents &amp; Concession</b>	\$ 3,113,907	\$ 228,780	7.3%
<b>Other Revenue</b>	\$ 3,822,573	\$ 2,572,029	67.3%
<b><i>Grand Total</i></b>	<b>\$ 163,880,779</b>	<b>\$ 33,000,475</b>	<b>20.1%</b>

# General Fund Revenue – FY 2020/21



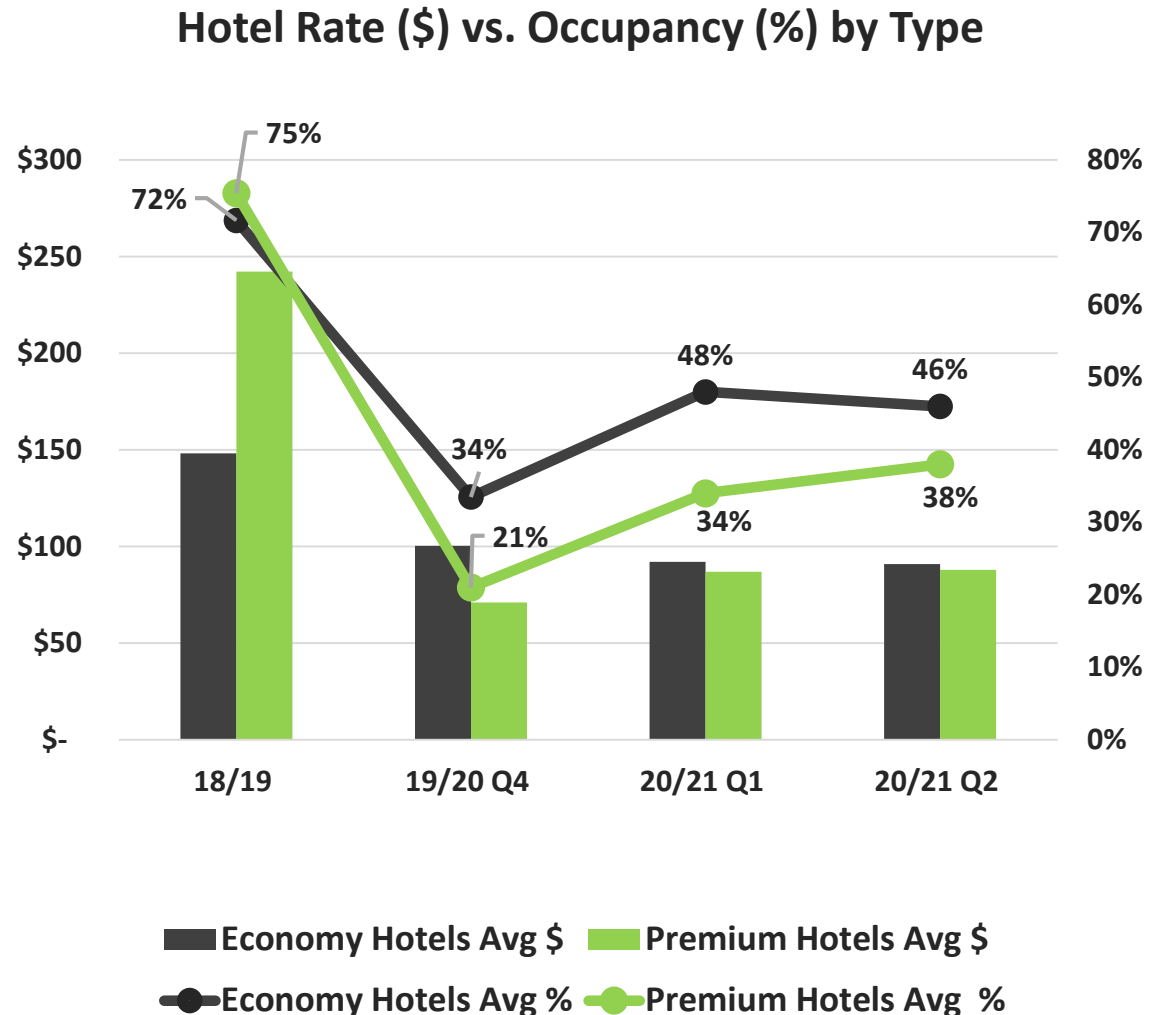
# Property Tax – Assessed Values (AV)

- FY 2020/21 roll growth up 2.5% from Adopted; brings up base over 20-yr plan
- Slowing with FY 2021/22 roll; 2.6% for FY 2021/22 in 20-yr plan; current estimate is at 2.3%



# Transient Occupancy Tax (TOT)

- Post COVID trend continuing; Economy hotels leading rate & occupancy
- Premium avg 72% of TOT revenue pre-COVID & 61% this fiscal year





# Sales Tax - Sunnyvale

## Top Non-Confidential Business Types

Business Type	Q3 2020	Change	
New Motor Vehicle Dealers	\$ 872.0	-7.3%	↓
Medical/Biotech	\$ 812.5	-1.6%	↓
Building Materials	\$ 363.3	1.5%	↑
Quick-Service Restaurants	\$ 324.2	-37.1%	↓
Electrical Equipment	\$ 260.4	-15.0%	↓
Casual Dining	\$ 238.4	-46.8%	↓
Office Equipment	\$ 197.8	14.9%	↑
Service Stations	\$ 195.9	-42.3%	↓
Business Services	\$ 133.1	-27.1%	↓
Grocery Stores	\$ 120.5	3.3%	↑

- Sales activity allocations Q3 2019 vs. Q3 2020 (July – September); in thousands
- Example of COVID-19 impact on some of the City's business sectors affecting sales tax

# General Fund Revenue – Service Fees

---

- Recreation Fees
  - COVID-19 service interruption continues; 12% of revenue to date vs. 35% historical average
- Public Safety Fees
  - 29% of budget vs. 17% this time last year
- Community Development Fees
  - 41% vs. 47% at same point in prior year



Sunnyvale

# General Fund *Expenditures*

# General Fund Expenditures – Departments

<i>General Fund Expenditures</i>	FY 2020/21		
	<i>41.67% of Fiscal Year</i>		
	<b>Budget</b>	<b>Actuals</b>	<b>% to Date</b>
<b>Community Development</b>	\$ 1,780,747	\$ 729,586	41.0%
<b>Environmental Services</b>	\$ 2,417,676	\$ 1,157,111	47.9%
<b>Finance</b>	\$ 11,298,211	\$ 4,182,914	37.0%
<b>Human Resources</b>	\$ 5,136,261	\$ 1,782,792	34.7%
<b>Library and Recreation Services*</b>	\$ 18,308,181	\$ 7,156,748	39.1%
<b>Office of the City Attorney</b>	\$ 1,875,126	\$ 824,238	44.0%
<b>Office of the City Manager</b>	\$ 5,505,884	\$ 2,166,155	39.3%
<b>Public Safety</b>	\$ 102,064,174	\$ 41,674,863	40.8%
<b>Public Works</b>	\$ 25,057,955	\$ 10,527,627	42.0%
<i>Operating Subtotal</i>	\$ 173,444,216	\$ 70,202,035	40.5%
<b>Grand Total</b>	<b>\$ 173,444,216</b>	<b>\$ 70,202,035</b>	<b>40.5%</b>

\* Library and Community Services changed name to Library and Recreation Services in Sept. 2020

# General Fund Expenditures – FY 2020/21

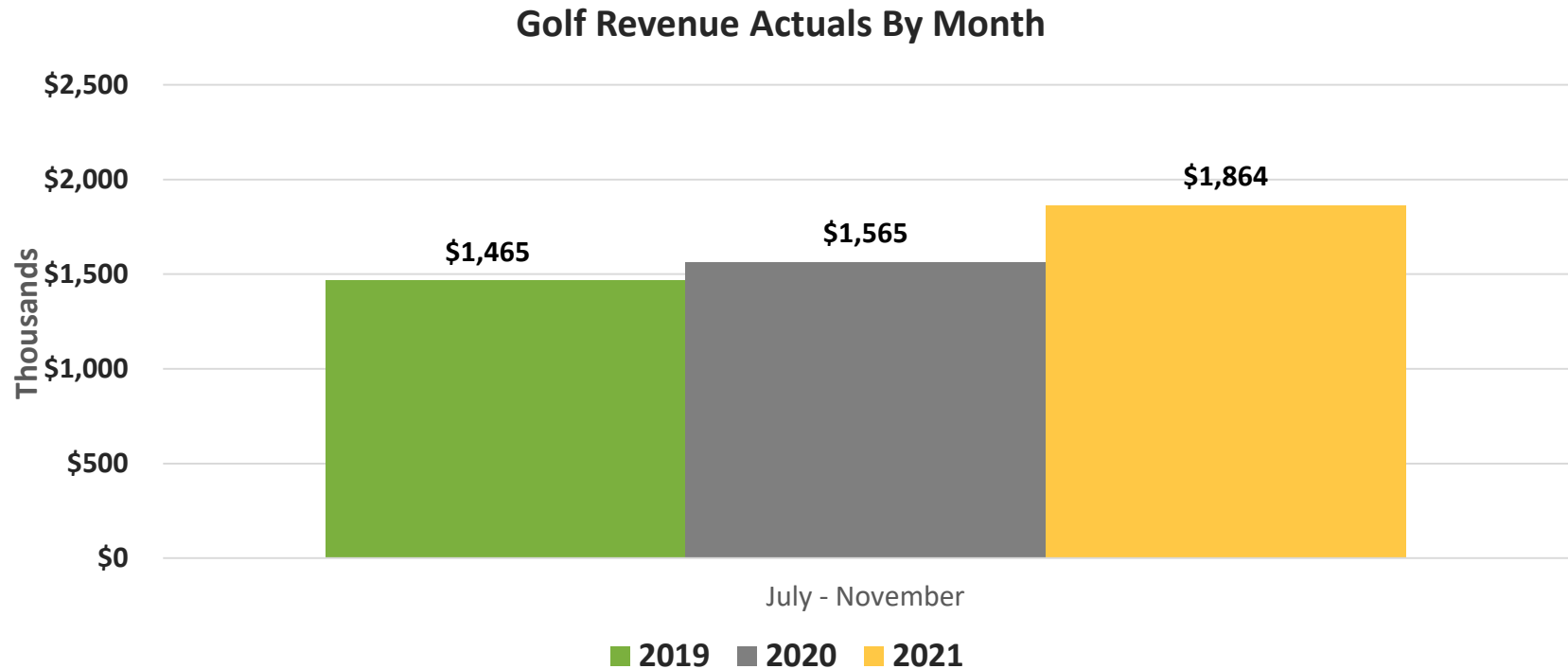
- Tracking slightly lower than accounting benchmark; 40.5% vs. 41.7%,
- Salaries & benefits driven by bi-weekly payroll costs; right on target with payroll benchmark at 41.4%
  - COVID-19 having an impact on salaries; on target, but trending higher than usual due to less staff taking paid time off as a result of travel restrictions, stay-at-home orders, etc.
- Timing of operations & maintenance expenditures can vary throughout fiscal year



Sunnyvale

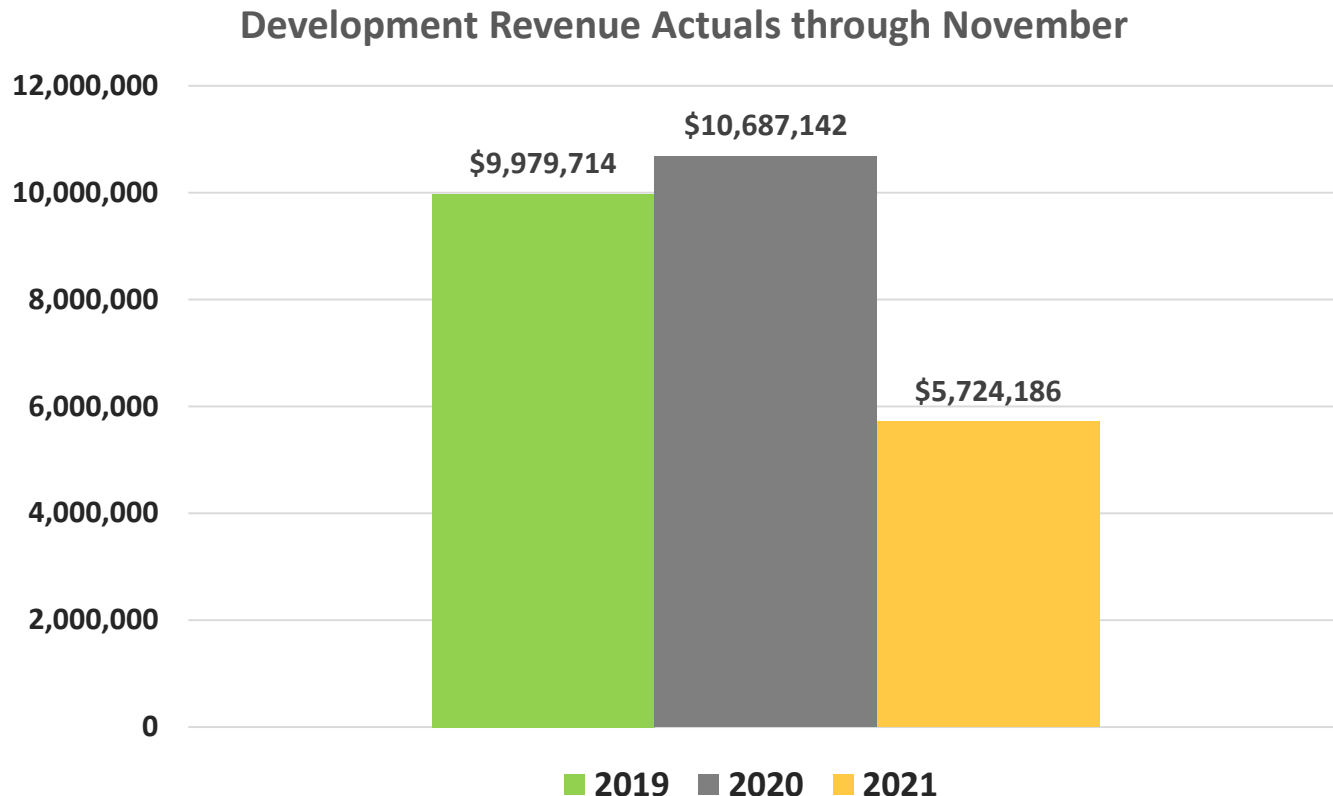
# Enterprise Funds

# Golf & Tennis Operations Fund



- Golf fees have strong start in fiscal year, though golf play expected to slow with winter
- Continued impacts to tennis and concessions due to COVID-19 restrictions

# Development Enterprise Fund



- Revenue steady, but not at elevated levels of previous two years; 32.7% revenue rate versus 57% last year



# Development Impact Fees

<i>Development Impact Fees*</i>	FY 2020/21 41.67% of Fiscal Year		
	Budget	Actuals	% to Date
<b>Park Dedication Fees</b>	\$ 41,704,226	\$ 3,463,782	8.3%
<b>Housing Mitigation Fees</b>	\$ 41,047,149	\$ -	0.0%
<b>Transportation Impact Fees</b>	\$ 7,459,583	\$ 79,676	1.1%
<b>Sense of Place Fees</b>	\$ 1,632,757	\$ 320	0.0%
<b>Grand Total</b>	<b>\$ 91,843,715</b>	<b>\$ 3,543,778</b>	<b>3.9%</b>

*\*Excludes Interest Income*

- Timing of impact fees difficult to predict as based on benchmarks in development projects
- Very low at this time compared to point in fiscal year, though most revenue likely deferred rather than lost due to active projects; not uncommon for receipt of fees to span multiple fiscal years

# Utility Funds

<i>Utility Fund Revenue</i>	FY 2020/21		
	<i>*33.33% of Fiscal Year</i>		
	<b>Budget</b>	<b>Actuals</b>	<b>% to Date</b>
<b>Water Fund</b>	\$ 61,799,016	\$ 25,834,915	41.8%
<b>Wastewater Fund</b>	\$ 49,738,978	\$ 19,733,664	39.7%
<b>Solid Waste Management Fund</b>	\$ 53,167,280	\$ 17,163,971	32.3%
<b>Grand Total</b>	<b>\$ 164,705,274</b>	<b>\$ 62,732,550</b>	<b>38.1%</b>

*\*Service Fee revenue lags by one month due to timing of billing.*

<i>Utility Fund Expenditures</i>	FY 2020/21		
	<i>41.67% of Fiscal Year</i>		
	<b>Budget</b>	<b>Actuals</b>	<b>% to Date</b>
<b>Water Fund</b>	\$ 44,033,189	\$ 16,922,460	38.4%
<b>Wastewater Fund</b>	\$ 22,166,607	\$ 7,006,282	31.6%
<b>Solid Waste Management Fund</b>	\$ 41,838,851	\$ 16,242,276	38.8%
<b>Grand Total</b>	<b>\$ 108,038,647</b>	<b>\$ 40,171,018</b>	<b>37.2%</b>

- All Utility funds expected to end the year at budget, but uptick in delinquent payments

# CalPERS Returns

---

- CalPERS Returns were 4.7% for FY 2019/20 vs. 7% planned
- Gains and losses ramped in over five-year period starting in FY 2022/23
- Impact estimated from \$1.5M to \$2M annually from initial analysis
- CalPERS reports released in October; engaging actuary to further analyze impact and develop estimate for the City

# Other Risks

---

- Continued or permanent shift in the economy affecting sales tax and TOT in an unknown way long-term
- Political and financial volatility at the Federal and State level
- Economic impact of continued natural disasters (e.g. wildfires)
- Persistent wave(s) of pandemic requiring ongoing health and safety restrictions

# Conclusion & Recommendation

## Conclusion

- Some FY 2020/21 revenues are tracking slower than estimated at this point in fiscal year; more developed updates as the fiscal year unfolds and revised revenue projections for current year at end of 3<sup>rd</sup> quarter
- Expenditures are tracking at budget; will need to capture updated employee total compensation costs (i.e. pension, etc.) in FY 2021/22 financial plans

## Recommendation

- Receive and file the FY 2020/21 Second Quarter Budget Update